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**B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
FINANCIAL AND COMPLIANCE REPORTS
DECEMBER 31, 2010 AND 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

SEP 14 2011

**B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Members
B & B of Marion, LLC
Rayville, Louisiana

We have audited the accompanying balance sheets of B & B of Marion, LLC as of December 31, 2010 and 2009, and the related income statements, members' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B & B of Marion, LLC as of December 31, 2010 and 2009, and the results of its operations, changes in members' equity (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2011, on our consideration of B & B of Marion, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Bond & Tousignant, LLC

Monroe, Louisiana
June 21, 2011

B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 91,254	\$ 100,574
Accounts Receivable	96,446	182,693
Prepaid Expenses	<u>7,952</u>	<u>7,289</u>
Total Current Assets	<u>195,652</u>	<u>290,556</u>
PROPERTY AND EQUIPMENT		
Leasehold Improvements	8,900	8,900
Furniture and Equipment	69,747	64,850
Vehicles	<u>38,182</u>	<u>25,173</u>
Total	116,829	98,923
Less: Accumulated Depreciation	<u>(24,270)</u>	<u>(14,485)</u>
Total Property and Equipment	92,559	84,438
OTHER ASSETS		
Utility Deposits	<u>8,176</u>	<u>8,176</u>
Total Other Assets	<u>8,176</u>	<u>8,176</u>
TOTAL ASSETS	<u>\$ 296,387</u>	<u>\$ 383,170</u>

LIABILITIES AND MEMBERS' EQUITY

	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 43,474	\$ 34,587
Accrued Payroll Liabilities	<u>27,223</u>	<u>19,306</u>
Total Current Liabilities	<u>70,697</u>	<u>53,893</u>
Total Liabilities	<u>70,697</u>	<u>53,893</u>
MEMBERS' EQUITY		
Members' Equity (Deficit)	<u>225,690</u>	<u>329,277</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 296,387</u>	<u>\$ 383,170</u>

The accompanying notes are an integral part of these financial statements.

B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
REVENUE		
State Contract	\$ 1,098,548	\$ 1,198,889
Access to Recovery	130,958	145,052
Other Patient Service Revenue	41,983	133,385
Other Income	4,007	13,196
Total Revenue	<u>1,275,496</u>	<u>1,490,522</u>
EXPENSES		
Advertising	5,792	3,304
Automobile	9,189	9,963
Client Expenses	6,399	10,000
Conferences & Meetings	4,954	3,186
Contracted Services	19,743	12,804
Depreciation	9,786	9,376
Dues & Subscriptions	83	967
Food	148,923	140,381
Insurance	52,126	47,137
Interest	-	245
Licenses	2,640	1,488
Miscellaneous	534	4,731
Payroll Taxes & Benefits	56,421	50,623
Postage & Office Supplies	14,883	6,276
Professional Services	25,958	11,447
Rent	150,000	152,400
Repairs & Maintenance	25,740	35,791
Salaries & Wages	656,986	586,655
Supplies	36,050	48,547
Telephone & Internet	7,566	10,994
Utilities	65,711	53,915
Workers' Compensation	12,599	10,767
Total Expenses	<u>1,312,083</u>	<u>1,210,997</u>
Net Income (Loss)	<u>\$ (36,587)</u>	<u>\$ 279,525</u>

The accompanying notes are an integral part of these financial statements.

B&B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
STATEMENTS OF MEMBERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total	Phillip R. Branch	Greeson Family Trust	Thompson Medical Practice, Inc.	Stacy Smith	LWJ, Inc.
Members' Equity (Deficit), January 1, 2009	\$ 151,493	\$ 22,929	\$ 44,291	\$ 48,616	\$ 5,094	\$ 30,563
Net Income (Loss)	279,525	11,181	86,652	83,858	13,976	83,858
Distributions	(101,741)	(20,939)	(28,868)	(33,692)	(2,607)	(15,635)
Members' Equity (Deficit), December 31, 2009	329,277	13,171	102,075	98,782	16,463	98,786
Net Income (Loss)	(36,587)	(1,463)	(11,343)	(10,976)	(1,829)	(10,976)
Distributions	(67,000)	(2,680)	(20,770)	(20,100)	(3,350)	(20,100)
Members' Equity (Deficit), December 31, 2010	\$ 225,690	\$ 9,028	\$ 69,962	\$ 67,706	\$ 11,284	\$ 67,710
Profit and Loss Percentages	100.00%	4.00%	31.00%	30.00%	5.00%	30.00%

The accompanying notes are an integral part of these financial statements.

B & B OF MARION, LLC
dba/ RAYVILLE RECOVERY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (36,587)	\$ 279,525
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	9,786	9,376
(Increase) decrease in Accounts Receivable	86,247	(70,225)
(Increase) decrease in Prepaid Expenses	(663)	(2,165)
(Increase) decrease in Utility Deposits	-	(8,176)
(Decrease) increase in Accounts Payable	8,887	(1)
(Decrease) increase in Accrued Expenses	7,916	3,109
Total adjustments	<u>112,173</u>	<u>(68,082)</u>
Net cash provided (used) by operating activities	<u>75,586</u>	<u>211,443</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(17,906)</u>	<u>(4,385)</u>
Net cash provided (used) by investing activities	<u>(17,906)</u>	<u>(4,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to Partners	(67,000)	(101,741)
Payments on line of credit	-	(20,290)
Net cash provided (used) by financing activities	<u>(67,000)</u>	<u>(122,031)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,320)	85,027
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>100,574</u>	<u>15,547</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 91,254</u>	<u>\$ 100,574</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 245</u>

The accompanying notes are an integral part of the financial statements.

**B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE A - ORGANIZATION

B & B of Marion, LLC ("Company") is a limited liability company organized under the laws of the State of Louisiana. The Company was organized in 2007 to provide residential treatment for persons recovering from alcoholism and other chemical dependencies. The thirty-six bed state-licensed private inpatient hospital, Rayville Recovery, is located in Rayville, Louisiana. The facility provides extended care in a supervised living environment where the residents receive counseling and therapy. The primary source of funding for the facility is a three-year \$4.3 million contract with the State of Louisiana, Department of Health and Hospitals, Office of Addictive Disorders. During 2009, the Company was awarded a contract to administer an Access to Recovery voucher program for substance abuse treatment. The Company is thus subject to the administrative directives, rules, and regulations of state regulatory agencies, including but not limited to, the Department of Health and Hospitals Office of Addictive Disorders. Such administrative directives, rules, and regulations are subject to change by federal and state agencies.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents. All cash on deposit with financial institutions is fully secured through a combination of deposit insurance and collateralization of sufficient U.S. Government securities owned by the institution.

Capitalization and Depreciation

Furniture, equipment and improvements are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the income statement.

B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (continued)

Special provisions in the state contract specify that ownership of property purchased with funds received from the state shall revert back to the state upon termination of the contract.

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Estimated Life</u>
Furniture and Equipment	10 years
Vehicles	10 years
Leasehold Improvements	15 years

All expenditures for fixed assets in excess of \$1,000 are capitalized.

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure.

Concentration of Credit Risk

The Company has various checking accounts at a regional high credit quality bank. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

The Company received approximately 86% of its revenue from a State of Louisiana contract based on monthly client occupancy units of service on a per day fixed fee for service basis. The concentration of credit risk with respect to accounts receivable is low, as it relates to receivables from the State of Louisiana under contractual terms. As of December 31, 2010, the Company had no significant concentrations of credit risk in relation to its accounts receivable.

Subsequent Events

Subsequent events have been evaluated through June 21, 2011, which is the date the financial statements were available to be issued.

**B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable due at year-end is as follows:

	<u>2010</u>	<u>2009</u>
State of Louisiana, Office of Addictive Disorders	\$ 85,500	\$100,440
Access to Recovery	9,233	21,968
Private Insurance	-	60,285
Other	1,713	-
Total Accounts Receivable	<u>\$96,446</u>	<u>\$182,693</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2010 and December 31, 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Leasehold Improvements	\$ 8,900	\$ 8,900
Furniture and Equipment	69,747	64,850
Vehicles	38,182	25,173
Less accumulated depreciation	<u>(24,270)</u>	<u>(14,485)</u>
Net book value of fixed assets	<u>\$92,559</u>	<u>\$84,438</u>

Total depreciation expense charged to operations was \$9,786 and \$9,376 for the years ended December 31, 2010 and 2009, respectively.

NOTE E – LEASE COMMITMENTS

The Company leases its facility, in a one year term with options to renew each year for twenty years under an operating lease arrangement. Rent expense for the years ended December 31, 2010 and 2009 was \$150,000 and \$152,400, respectively.

Future minimum lease payments for the next five years ending December 31 are as follows:

2011	150,000
2012	150,000
2013	150,000
2014	150,000
2015	150,000
	<u>750,000</u>

B & B OF MARION, LLC
d/b/a RAYVILLE RECOVERY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE F – MEMBERS' EQUITY

The Company has five Members – Phillip R. Branch, Greeson Family Trust, Thompson Medical Practice, Inc., Stacy Smith and LWJ, Inc. All profits and losses are allocated based on ownership percentages to the Members.

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Lease Expense

The Company leases its facility from a corporation in which two of the members are shareholders of the corporation. The Company incurred payments of \$154,248 and \$152,400 in 2010 and 2009, respectively, for services rendered in connection with the leasing and operations of the facility. Lease expense is charged at a rate of \$12,500 per month.

Other

The Company purchased gasoline, tobacco products, and various incendiary items from a company in which one of the members is the corporation's stockholder. The Company incurred operating expenses of \$7,244 and 9,293 in 2010 and 2009, respectively, for these items.

NOTE H - ADVERTISING

The Company incurred advertising costs of \$5,792 and \$3,304 in 2010 and 2009, respectively. These costs are expensed as incurred.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments, none of which are held for trading purposes, consist primarily of cash on deposit at a financial institution. The Company estimates that the fair value of all financial instruments at December 31, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

NOTE J – CONCENTRATION OF REVENUE

The majority of the Company's revenues and accounts receivable are from a contract funded and administered by the Louisiana Department of Health and Hospitals (DHH). If state funding levels for the program is reduced, or if the contract is not renewed, the impact on the Company could be severe.

**B&T BOND &
TOUSIGNANT, LLC**
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members
B & B of Marion, LLC

We have audited the financial statements of B & B of Marion, LLC as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated June 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered B & B of Marion, LLC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether B & B of Marion, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the members, management, State of Louisiana Department of Health and Hospitals and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Monroe, Louisiana
June 21, 2011